

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 PC-01 OMB-01 TRSE-00 EB-08 MCT-01

DOE-11 SOE-02 COME-00 IO-13 CA-01 /104 W

-----087423 062034Z /41

R 061841Z JAN 78

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 619

INFO AMEMBASSY BOGOTA

USCINCLANT NORFOLK VA

USCINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 0149

E.O. 11652: GDS

TAGS: PGOV, PINT, SOP, EFIN, ENRG, ETRD, ASEC, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: 77 CARACAS 12553

SUMMARY: MIXED LOCAL REACTION TO THE PRESIDENT'S NEW YEAR MESSAGE. PRESIDENT OF PETROLEOS DE VENEZUELA REPORTS ON 1977. CONSIDERATION OF TAX REFORM LEGISLATION POSTPONED UNTIL MARCH. FOREIGN MINISTRY REORGANIZED. GOV BACKS DOWN ON RADIO BROADCASTS. VENEZUELA RESTRICTS VEHICLE IMPORTS. NIEHOUS KIDNAPPING - DONNA NIEHOUS ONCE AGAIN ASSERTS THAT HER HUSBAND WAS NOT WITH THE CIA. END SUMMARY.

1. LOCAL REACTION TO THE PRESIDENT'S NEW YEAR MESSAGE. MIXED LOCAL REACTION GREETED THE PRESIDENT'S NEW YEAR SPEECH (SEE CARACAS 40). REPRESENTATIVES OF KEY GROUPS LIKE THE LABOR UNIONS AND BUSINESSMEN WERE PLEASED BY THE SPEECH WHICH HIGHLIGHTED THE POSITIVE ACCOMPLISHMENTS OF THE PEREZ ADMINISTRATION AND PAINTED A ROSY PICTURE
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OF FUTURE ECONOMIC DEVELOPMENT. SPOKESMEN FOR FEDECAMARAS, THE VENEZUELAN CHAMBER OF COMMERCE, DESCRIBED THE SPEECH AS POSITIVE AND SAID THAT IT WAS ORIENTED TOWARD "CREATING AN ATMOSPHERE OF KEEP CONFIDENCE IN THE ECONOMY BEFORE THE EXTREMES OF A PRESIDENTIAL CAMPAIGN YEAR." THE OPPOSITION PARTIES WERE HIGHLY CRITICAL OF IT. MOST DESCRIBED THE MESSAGE AS BLURRING THE REALITIES OF

VENEZUELA. THE FAR LEFT PARTIES, MIR, MAS, PCV AND MEP AGREED THAT ECONOMIC PROGRESS HAD INDEED OCCURRED BUT THAT IT HAD BEEN COUPLED WITH THE CONSOLIDATION OF POWER IN THE HANDS OF A TECHNOCRATIC ELITE, CRIPPLING INFLATION AND WASTEFUL SPENDING ON THE PART OF THE GOVERNMENT. THE MAJOR OPPOSITION PARTY, COPEI IS ALREADY STUDYING IT CAREFULLY, SEARCHING FOR POINTS ITS PRESIDENTIAL CANDIDATE CAN USE AGAINST THE AD PARTY CANDIDATE. COMMENT: THE PRESIDENT'S SPEECH APPEARS TO BE MORE A CAMPAIGN DOCUMENT, THAN A STATE OF THE UNION MESSAGE, A CATALOG OF ACCOMPLISHMENTS WHICH PRESIDENT PEREZ CAN POINT TO AS THE ELECTION YEAR UNFOLDS. ONE REFLECTION OF THIS WAS THE EMPHASIS ON ECONOMIC ISSUES AND THE SCANT ATTENTION PAID TO FOREIGN AFFAIRS. THE AVERAGE VENEZUELAN VOTER HAS LITTLE INTEREST IN FOREIGN POLICY.

2. PRESIDENT OF PETROLEOS DE VENEZUELA REPORTS ON 1977. IN HIS REPORT ON 1977, PETROVEN PRESIDENT ALFONSO RAVARD STRESSED THE NEED FOR SUBSTANTIAL CAPITAL INVESTMENTS TO MAINTAIN THE NATIONALIZED INDUSTRY'S OUTPUT AND FURTHER EXPLORATION TO RESTORE DEPLETED RESERVES.

3. LAST YEAR DAILY OUTPUT AVERAGED 2.24 MILLION B/D WHICH RESULTED IN GOV INCOME FROM ROYALTIES AND TAXES OF BS. 27.6 BILLION (\$6.4 BILLION). TOTAL PROJECTED EXPORT SALES FOR 1978 ARE BS. 41 BILLION (\$9.5 BILLION) CONFIDENTIAL

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WITH THE GOV'S INCOME AS BS. 27 BILLION (\$6.27 BILLION).

4. IN THE NEXT 10-12 YEARS PETROVEN PLANS BS. 86 BILLION (\$20 BILLION) IN CAPITAL INVESTMENT TO UPGRADE AND EXPAND ITS FACILITIES. MUCH OF THIS IS NEEDED TO MAINTAIN AND REWORK EXISTING FIELDS SIMPLY TO REPLACE THE 500,000 B/D OF PRODUCTIVE CAPACITY IT LOSES EACH YEAR. IT IS HOPED THAT BY SUCCESSFULLY REINVESTING INCOME INTO A CAPITAL EXPANSION AND EXPLOITATION PROGRAM THAT PETROVEN MAY GUARANTEE ITS FISCAL CONTRIBUTION FOR YEARS TO COME.

5. COMMENT: WITHIN PETROVEN THERE IS CONCERN ABOUT CONVINCING THE GOV THAT ITS PROFITS, NET OF ROYALTIES AND TAXES, ARE NEEDED FOR NEW INVESTMENTS TO GUARANTEE FUTURE INCOME. THE OPE IS THAT, BY STRESSING THE INDUSTRY'S PRESENT CONTRIBUTION AND ITS NEED FOR FURTHER INVESTMENT, PETROVEN CAN PROTECT CURRENT AND FUTURE PROFITS FROM RAIDS BY THE GOV TREASURY TO MEET OTHER CURRENT NEEDS.

6. CONSIDERATION OF TAX REFORM LEGISLATION POSTPONED UNTIL MARCH. THE CONGRESS FAILED TO REACH AGREEMENT ON TAX REFORM LEGISLATION DURING THE 1977 LEGISLATIVE

SESSIONS, AND POSTPONED THE ISSUE AT LEAST UNTIL MARCH OF 1978. THE KEY INCOME TAX REFORM BILL, PERHAPS THE MOST CONTROVERSIAL OF THE EIGHT PART PROPOSAL, CAME CLOSEST TO BEING ENACTED INTO LAW, BUT THE LACK OF A QUORUM ON THE LAST DAY OF CONGRESS MEANT NO FINAL ACTION COULD BE TAKEN. COMMENT: WHILE THE PRESIDENT HAS URGED ENACTMENT OF ALL EIGHT PROPOSED TAX REFORMS DURING THE COMING YEAR, WE BELIEVE THE CHANCES OF ANY MEANINGFUL REFORM BEING ENACTED UNTO LAW DURING AN ELECTION YEAR ARE REMOTE.

7. FOREIGN MINISTRY REORGANIZED. THE MINISTRY OF FOREIGN RELATIONS HAS BEEN REORGANIZED BY PRESIDENTIAL DECREE. UNDER THE REORGANIZATION, THE FOREIGN MINISTER'S OFFICE IS DIRECTLY RESPONSIBLE FOR THE LEGAL ADVISER'S OFFICE,
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PROTOCOL (ONE OF THE LARGEST UNITS IN THE FOREIGN MINISTRY IN MANPOWER TERMS), THE NEWLY FORMED INSTITUTE OF INTERNATIONAL AFFAIRS AND THE OFFICE OF PLANNING AND BUDGET.

8. THE DIRECTOR GENERAL'S OFFICE WILL HAVE DAY-TO-DAY SUPERVISION OF THOSE OFFICES MENTIONED ABOVE PLUS FOUR "SECTORAL DIRECTOR-GENERALSHIPS." THE FOUR SECTORAL DIRECTOR-GENERALSHIPS ARE:

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USIA-06 AID-05 PC-01 OMB-01 TRSE-00 EB-08 MCT-01
DOE-11 SOE-02 COME-00 IO-13 CA-01 /104 W
-----087746 062033Z /43

R 061841Z JAN 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 620
INFO AMEMBASSY BOGOTA
USCINCLANT NORFOLK VA
USCINCSO QYARRY HEIGHTS

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 0149

A) INTERNATIONAL POLICY - RESPONSIBILITIES INCLUDE:
RELATIONS WITH OTHER STATES AND INTERNATIONAL ORGANIZATIONS;
ALL ASPECTS OF TREATIES; DIRECTION, COORDINATION AND
CENTRALIZATION OF FOREIGN COMMERCIAL POLICY; REPRESENTATION
OF VENEZUELA IN INTERNATIONAL CONTROVERSIES; CONSULAR MATTERS;
CULTURAL AND INFORMATIONAL MATTERS OVERSEAS, AND RELATIONS
WITH THE DIPLOMATIC MISSIONS AND CONSULATES ACCREDITED TO
VENEZUELA;

B) FRONTIERS - RESPONSIBILITIES INCLUDE: ALL ISSUES
CONCERNING VENEZUELA'S BORDERS INCLUDING MARITIME BOUNDARIES;

C) INTERNATIONAL COOPERATION - RESPONSIBILITIES INCLUDE:
COORDINATION OF VENEZUELAN POLICY AND ACTIVITY IN THE FIELD
OF INTERNATIONAL ECONOMIC COOPERATION, AND ANALYSIS OF
INTERNATIONAL AGREEMENTS IN THE FIELDS OF FOREIGN COMMERCE,
SCIENCE AND TECHNOLOGY.

D) ADMINISTRATIVE SERVICES - RESPONSIBLE FOR:
PERSONNEL AND ALL OTHER ADMINISTRATIVE FUNCTIONS.

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COMMENT: THE REORGANIZATION OF THE FOREIGN MINISTRY, IN
PART, REFLECTS FOREIGN MINISTER CONSALVI'S INTEREST IN
RECOVERING THE MINISTRY'S PRESTIGE AND IMPORTANCE.
IT GIVES THE MINISTRY A STRONG ROLE IN THE
KEY AREA OF FOREIGN ECONOMIC POLICY WHICH IN RECENT YEARS
HAS BEEN TAKEN OVER BY THE AUTONOMOUS FOREIGN TRADE
INSTITUTE AND BY THE MINISTER FOR INTERNATIONAL ECONOMIC
AFFAIRS, PEREZ GUERRERO. PEREZ GUERRERO'S RETIREMENT
HAS BEEN REPORTED AS IMMINENT FOR THE LAST YEAR.
BUT NOW HE REALLY APPEARS TO BE EASING HIMSELF OUT OF A
JOB. IN FACT, MOST OF HIS SMALL STAFF IS NOW WORKING EITHER
DIRECTLY FOR THE FOREIGN MINISTER OR HAS MOVED OVER TO THE
FOREIGN TRADE INSTITUTE. THE RECENT CREATION OF THE
FOREIGN AFFAIRS INSTITUTE WAS DESIGNED BY CONSALVI TO
CREATE A MODERN FOREIGN AFFAIRS LIBRARY FOR HIS MINISTRY
AND TO INVOLVE PRESTIGIOUS AND KNOWLEDGEABLE VENEZUELAN
IN FOREIGN POLICY FORMULATION BY CONTRIBUTING TO AND
PARTICIPATING IN THE INSTITUTE'S SEMINARS AND OTHER
PRESENTATIONS. WHETHER THE REORGANIZATION WILL DO
ANYTHING TO IMPROVE THE INEPT PERFORMANCE AND WOEFUL
REPUTATION OF THE WORKING LEVEL IN THE FOREIGN MINISTRY
IS DOUBTFUL. THERE IS NO QUESTION, HOWEVER, THE CONSALVI
IS OUT TO IMPROVE HIS MINISTRY'S IMAGE IN EVERY WAY. HE
RECENTLY ORDERED A REFURBISHING OF THE BUILDING (IT
IS ONE OF THE FEW COLONIAL BUILDINGS STILL STANDING IN

CARACAS) AND A RESTORATION OF ITS MANY WORKS OF ART.

9. GOV BACKS DOWN ON RADION BROADCASTS. MINISTER OF INFORMATION AND TOURISM DIEGO ARRIA BACKED DOWN AFTER RAISING THE HACKLES OF RADION BROADCASTERS BY TRYING TO FORCE THEM TO BROADCAST GOVERNMENT NEWS TWICE A DAY.

COMMENT: THE INCIDENT (SEE CARACAS 99 AND 110, BITH
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USINFO) IS INTERESTING FOR THREE REASONS. IT IS THE FIRST, MAJOR, PUBLIC MISCALCULATION AS A MINISTER BY THE NORMALLY SMOOTH AND ADROIT ARRIA. IT ALSO DEMONSTRATES THAT IN VENEZUELA THERE IS A GENERAL EXPECTATION THAT THE GOVERNMENT WILL BACK AWAY FROM ANY DOMESTIC MEASURE (BILL OR DECREE) THAT ENCOUNTERS REALLY STIFF OPPOSITION. FINALLY, IT SHOWS THAT THE GOV CONTINUES TO BELIEVE THAT IT SHOULD CONTROL THE INTERNATIONAL NEWS ENTERING AND LEAVING VENEZUEAL BECAUSE, IN ITS PERCEPTION, THE INTERNATIONAL NEWS AGENCIES DO NOT REFLECT THE INTERESTS OF THIRD WORLD (AND PARTICULARLY OPEC) NATIONS.

10. VENEZUELA RESTRICTS VEHICLE IMPORTS.
THE GOV HAS ISSUED A DECREE WHICH PROHIBITS ALL IMPORTS OF VEHICLES OF TYPES NOT PRODUCED IN VENEZUELA, AND HAS SET IMPORT DUTY REFERENCE PRICES FOR DOMESTICALLY PRODUCED MODELS. THE JUSTIFICATION FOR THIS MOVE IS TO PROTECT LOCAL INDUSTRY AND TO CURB "LUXURY" IMPORTS. THE GOV ESTIMATES IMPORTED VEHICLES REPRESENTED 10 PERCENT OF IMPORT PAYMENTS IN 1976. (SEE CARACAS 92).

11. NIEHOUSE KIDNAPPING - DONNA NIEHOUS ONCE AGAIN ASSERTS THAT HER HUSBAND WAS NOT WITH THE CIA. THE DECEMBER 31 ISSUE OF EL NACIONAL PUBLISHED A LETTER THAT ONE OF ITS REPORTERS RECEIVED FROM DONNA NIEHOUS. IN THE LETTER, MRS. NIEHOUS AGAIN DENIED THE CHARGES THAT HER HUSBAND HAD BEEN WITH THE CIA OR THAT HE HAD ATTEMPTED TO BRIBE PRESIDENT PEREZ IN 1973 (SEE 7 CARACAS 12241 AND 12358). SHE ALSO ASKED THE VENEZUELAN PEOPLE TO HELP HER IN THE SEARCH FOR HER HUSBAND.

12. OTHER REPORTING THIS WEEK INCLUDED BILATERAL ENERGY TALKS: MINISTER HERNANDEZ VISIT (CARACAS 15), UNITAS EXERCISES FOR 1978 (CARACAS 35), PRESIDENT AND LABOR MINISTER ANNOUNCE NEW YEAR INITIATIVES IN SOCIAL AND
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LABOR WELFARE (CARACAS), GOV REVOKES VENEZUELAN
CITIZENSHIP OF CUBAN EXILE (77 CARACAS 12567), ECONOMIC
TRENDS - REVISED INDICATORS (77 CARACAS A-186), INVESTMENT
CLIMATE STATEMENT '77 CARACAS A181), VENEZUELA'S
IAEA NPT SAFEGUARDS AGREEMENTS AND REGULATIONS FOR
NUCLEAR MATERIAL (77 CARACAS 12534), SUMMARY OF FOREIGN
EXCHANGE TRANSACTIONS - NOVEMBER (77 CARACAS A-184),
PROPOSED RECIPROCAL EXEMPTION OF INTERNATIONAL AIRLINES
(CARACAS 65), VENEZUELA TO BORROW ADDITIONAL \$1.2 BILLION
INTERNATIONALLY (CARACAS 69), AND PRESIDENT PEREZ'
NEW YEAR'S MESSAGE (CARACAS 40).

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CARACA00149
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780011-0085
Format: TEL
From: CARACAS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780193/aaaadaiq.tel
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Litigation History:
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Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
Reference: 77 CARACAS 12553
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3819749
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PGOV, PINT, SOPN, EFIN, ENRG, ETRD, ASEC, VE
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f09a01e6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
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